

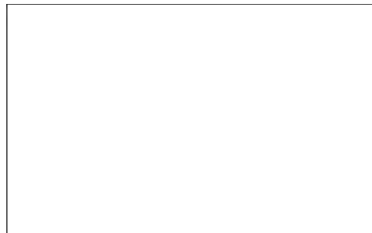
Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 2 October 1978 CG NIDC 78/230



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National Intelligence Daily Cable for Monday, 2 October 1978

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Update

25X1 [] *Fighting continued in Beirut yesterday despite the cease-fire negotiated by Syrian President Assad and Lebanese President Sarkis on Saturday.*

25X1 [] The US Embassy in Beirut believes that the upsurge of fighting this weekend was deliberately sparked by the Maronite militias to dissuade Sarkis from renewing the mandate of the Syrian-dominated Arab Deterrent Force and to attempt to press the US into acting on proposals for an international conference to deal with the Lebanese problem. The Maronites have long favored having other countries become involved in the problem.

25X1 [] //The heavy fighting on Saturday spread far beyond the usual bounds of past Syrian-Maronite clashes. The militias opened fire on the Syrians in and around the capital with heavy artillery deployed in mountain villages north of Beirut.//

25X1 [] //The Syrians responded by shelling the Maronite towns of Antilyas, Ad Dubayyah, Brummana, and Bikfayya. According to one report, the Syrians also shelled Juniyah, the Maronite-held port through which arms shipments arrive from Israel. Reports that the Syrians tried to overrun the militia stronghold of Al Hadath were apparently inaccurate.//

25X1 [] According to the US Embassy, the militias are reinforcing their positions in the mountain villages. They reportedly moved ammunition and additional artillery pieces into Antilyas yesterday. According to a militia spokesman quoted by the Reuter news agency, militia commanders have ordered an offensive against the Syrian forces. []
NSA-

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CHINA: New Province Chief

25X1 [] *The Chinese leadership has replaced the chief of Liaoning Province in China's northeast. Peking has now ousted 17 of 29 province chiefs since the arrest of the leftist "gang*

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of four" in October 1976. The leadership change in Liaoning follows a week-long inspection tour of the three northeastern provinces last month by party vice chairman Teng Hsiao-ping and reflects Teng's efforts to remove provincial bosses he suspects are not personally committed to him or to his pragmatic policies. The northeast was a hotbed of anti-Teng sentiment in 1976; all three provinces now have new leaders.

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The northeast, and Liaoning in particular, has long been an area of special concern to the leadership in Peking. Immediately following the arrest of the "gang of four," Liaoning was regarded by Peking as second only to Shanghai as a leftist stronghold. Party chairman Hua Kuo-feng inspected the northeast in the spring of 1977 and made a stop in Liaoning last May.

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The ability of Tseng Shao-shan, Liaoning's former boss, to outlast the "gang of four" by nearly two years strongly suggests he had powerful supporters of his own. These men probably were two members of the Politburo who have run the Shenyang Military Region of which Liaoning is a part--former commander Chen Hsi-lien, who now heads the Peking Military Region, and Shenyang's current commander Li Te-sheng. The shake-up in Liaoning, however, raises questions about their continued political influence. Neither man seems to be in any personal political difficulty at the moment. Li presided over the reception at which the new Liaoning boss was officially revealed.

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Liaoning's new boss, Jen Chung-i, was sent into the province in early 1977 and seems to be a staunch ally of Teng Hsiao-ping. Upon Teng's return from the northeast last month, *People's Daily* printed an article by Jen that strongly endorsed Teng's policy of de-emphasizing the theories of Mao Tse-tung as the basis for policy decisions.

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SWEDEN: Policy on Nuclear Plants

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Swedish Prime Minister Falldin averted a breakup of Sweden's three-party coalition government by announcing on Friday that the loading of two nuclear reactors, postponed

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[]

since February, would be delayed again. Negotiations among the three parties on this issue stretched a week beyond their self-imposed deadline of 21 September, but Falldin's announcement should prevent a possible parliamentary crisis when the Riksdag opens tomorrow.

[] The issue of whether Sweden should fully implement its nuclear power program has repeatedly threatened to bring down the coalition since its formation two years ago. Falldin's Center Party promised to dismantle the nuclear power industry during its successful election campaign in 1976. The other coalition partners support nuclear power production so long as the power companies take strong safety precautions.

[] The government's temporizing increases the possibility that nuclear power will be an issue in the parliamentary elections scheduled for next September. The opposition Social Democrats initiated Sweden's nuclear power program when they led the government in 1975. They, however, have not fully exploited the issue, in part because the party is divided on the question.

[] According to Falldin, the government will not permit the reactors to be loaded until the power companies implement further safety measures at rock cavern sites designated to receive nuclear waste for permanent storage. The government will authorize the companies to operate the reactors when they demonstrate they have achieved specified levels of safety--the most stringent in the world, according to Falldin.

[] The government moved closer to accepting additional plants by approving a reprocessing contract between the Swedish power companies and a company in France and by agreeing to store nuclear waste at a central facility. Falldin had delayed approving these measures. []

UNITED KINGDOM: North Sea Oil

[] *//The UK apparently wants to hold down oil production after 1982 in order to extend Britain's era of energy independence. The get-the-oil-flowing attitude has given way*

[redacted]

to emphasis on such issues as the purchase of British-made oil-field equipment, conservation of associated gas, safety and environmental consideration, and full establishment of the British National Oil Corporation in North Sea operations. While not intended to do so, recent tax changes will also dampen exploration activity.//

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[redacted] //A buildup from current output of about 1.2 million barrels per day to 2.5 million barrels per day or so by 1983 seems assured. Production much beyond this level will depend, to a large extent, on the government's depletion policy. Self-sufficiency would be achieved at an output of 1.9 million barrels per day.//

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[redacted] //Although output is likely to begin dropping off at some of the older fields, new field development and development at the fields now about ready to produce will provide sizable additions to British production in the next four to eight years.//

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[redacted] //According to the US Embassy, British Government officials and even British executives working for US-owned oil companies believe that a lower rate of production and a smaller net oil export surplus would be in Britain's interest. British officials believe that the price of oil may increase enough to make leaving the oil in the ground for a longer period economically rational.//

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[redacted] //In the meantime, a smaller oil surplus would mean less upward pressure on the pound. An extended period of oil self-sufficiency would enhance Britain's international political position and make England less dependent on the coal miners.//

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[redacted] //The shift in public policy could be reversed if the British economic situation deteriorated to the point where further stimulus was required. [redacted]

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BRIEF

Canada

25X1 [] //Canada continues to refuse to allow an increase in natural gas exports to the US despite its growing oversupply of the fuel. Official reserves have jumped 24 percent in the last five years as financial incentives and higher domestic prices encouraged exploration and development. Domestic gas demand has been stagnant; officials in Alberta Province and Canadian producers are seeking government permission to boost exports. Canada now supplies about 5 percent of US annual consumption.//

25X1 [] //Advanced construction of the southern legs of the Alcan gas pipeline would allow producers to increase exports to the US by some 500 billion cubic feet per year by 1981 and eliminate current surplus productive capacity.//

25X1 [] //Ottawa, however, seems determined to conserve its domestic resources and to reduce its dependence on foreign oil. Along with limits on gas exports to the US, the federal government hopes to substitute gas for oil in eastern markets by deregulating domestic gas prices in the expectation that prices would fall. The producing companies argue that federal policies are based on overestimates of demand and underestimates of supply. []

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